

Message Text

CONFIDENTIAL

PAGE 01 MUSCAT 00813 160522Z

10

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FMC-01 AGR-05 L-03 EB-07 OFA-01

H-02 INR-07 DLOS-04 PRS-01 CG-00 DOTE-00 SS-15

TRSE-00 /057 W

----- 070621

P R 160411Z JUL 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC PRIORITY 1312

INFO USDOC WASHDC

C O N F I D E N T I A L MUSCAT 813

E.O. 11652: GDS

TAGS: EAGR, BGEN, MU, US

SUBJECT: TERMINATION OF FMC OPERATIONS IN OMAN

REF: (A) MUSCAT 860 DTD DECEMBER 11, 1974

(B) MUSCAT A-36 OF 1973

(C) MUSCAT 804

1. AGRICULTURAL DEPARTMENT RECENTLY INFORMED FMC THAT OMANGOV WOULD NOT PROCEED WITH PROPOSED CONTRACT FOR SECOND PHASE OF AGRICULTURAL DEVELOPMENT PLAN PRESENTED BY COMPANY. AT SAME TIME, GOVERNMENT TOOK PHYSICAL CONTROL FMC INVENTORIES, PLANTS AND EQUIPMENT AT SEVERAL PROJECT SITES.

2. AS REPORTED IN REF (B), FMC SIGNED \$6 MILLION CONTRACT WITH OMANGOV IN 1973. FIRST STAGE OF CONTRACT EXPIRED LAST MARCH, AND COMPANY SUBSEQUENTLY HAS SPENT OVER \$1 MILLION OF ITS OWN MONEY TO KEEP PROJECTS OPERATING IN HOPES OF GETTING SECOND CONTRACT.

3. SINCE INCEPTION OF FMC'S OPERATION IN OMAN, COMPANY HAS BEEN SUBJECT TO MISUNDERSTANDINGS AND CRITICISMS FROM OMANGOV (REFTEL A). DIFFERENCES AMONG FMC, DEL MONTE AND MARDELA (WHO COLLABORATED ON EARLY FISHERIES PROJECT) ALSO CONTRIBUTED TO SOME DISSATISFACTION. FMC CONTENTS THAT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MUSCAT 00813 160522Z

FIRST PHASE PROJECTS WERE IN NATURE OF FEASIBILITY STUDIES,

AND THAT ALL WERE COMPLETED UNDER TERMS OF CONTRACT TO SATISFACTION OF OMANGOV.

4. FMC REP CONSIDERS PRESENT SITUATION UNTENABLE. SINCE BEGINNING OF JULY, OPERATIONS HAVE DETERIORATED RAPIDLY. ALTHOUGH AGRICULTURE DEPARTMENT HAS AGREED, THROUGH EXCHANGE OF CORRESPONDENCE, THAT OMANGOV HAS ASSUMED FULL RESPONSIBILITY, THIS FACT HAS NOT BEEN COMMUNICATED TO WORKERS (WHOSE EMPLOYMENT WITH FMC TERMINATED WITH DUE REGARD TO OMANI LABOR LAW). AS A RESULT, THERE HAS BEEN GROWING LABOR UNREST, ESPECIALLY AT DATE PROCESSING PLANTS. MEANWHILE, OMANGOV SEEKING TO "BORROW" OR HIRE AWAY FMC AGRICULTURAL SPECIALISTS TO HELP THEM RUN FORMER FMC AND OTHER AGRICULTURAL PROJECTS.

5. COMPANY WOULD LIKE TO REMAIN IN OMAN UNTIL END OF 1975 IN ORDER TO INSURE SMOOTH TRANSITION. FMC REP HAS PRESENTED DRAFT PROPOSAL FOR MANAGING FMC-INSTITUTED PROJECTS UNTIL DECEMBER FOR \$1.5 MILLION FEE. IF THIS NOT ACCEPTED BY OMAN GOVT, COMPANY WILL CLOSE OUT OPERATIONS BY END OF JULY. UNDER THESE CIRCUMSTANCES, AND SINCE COMPANY REGARDS GOVERNMENT ACTIONS TO BE A BREACH OF CONTRACT, FMC WOULD THEN SEEK REDRESS, AS PROVIDED FOR IN CONTRACT, THROUGH ARBITRATION IN SWITZERLAND.

6. COMMENT: PERHAPS BY TRYING TO DO TOO MANY THINGS AT ONCE, FMC AROUSED EXPECTATIONS THAT WERE HARD TO FULFILL. IN RETROSPECT, IT WAS UNWISE FOR COMPANY TO OPERATE FOR SEVERAL MONTHS WITHOUT ANY CONTRACT. BE THAT AS IT MAY, TERMINATION FO FMC OPERATIONS, ALONG WITH SIMILAR PROSPECTS FOR MARDELA (REF C) ABRUPTLY HAVE DIMINISHED U.S. COMMERCIAL PRESENCE IN OMAN. EMBASSY RECOGNIZES THAT BOTH COMPANIES MAY HAVE MADE MISTAKES HERE, BUT ON BALANCE WE BELIEVE THEIR OPERATIONS HAVE BEEN BENEFICIAL FOR OMAN.

7. ACTION REQUESTED: NEITHER COMPANY HAS APPEALED TO US FOR DIRECT INTERVENTION, AND WE HAVE TAKEN CARE TO POINT OUT THAT USG CANNOT BECOME A PARTY TO THEIR PRIVATE DISPUTES. HOWEVER, WE ARE CONCERNED WITH POTENTIALLY NEGATIVE EFFECT OF RECENT DEVELOPMENTS ON GENERAL TENOR OF BILATERAL RELATIONS AND U.S. BUSINESS CONFIDENCE IN OMAN. UNLESS DEPARTMENT PER-
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUSCAT 00813 160522Z

CEIVES OBJECTION, WE PLAN TO MAKE A LOW-KEY APPROACH TO QAIS ZAWAWI (IN HIS CAPACITY AS DEPUTY CHAIRMAN OF FINANCE AND DEVELOPMENT COUNCILS) TO SOLICIT HIS VIEWS, TO EXPRESS OUR HOPE FOR AMICABLE SETTLEMENT OF FMC DISPUTE, AND TO POINT OUT THAT OMANGOV ACTIONS MIGHT DETRACT FROM U.S. BUSINESS WILLINGNESS TO INVEST IN OMAN. PLEASE ADVISE.
ZWEIFEL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MUSCAT00813
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750245-0154
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750751/aaaabtsz.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 MUSCAT A-36, 74 MUSCAT 860, 75 MUSCAT 804
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 18 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 AUG 2003 by BoyleJA>; APPROVED <03 DEC 2003 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TERMINATION OF FMC OPERATIONS IN OMAN
TAGS: EAGR, BGEN, MU, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006